BRITISH COLUMBIA
The Best Place on Earth

BALANCED BUDGET 2007

BUDGET SPEECH

Building a Housing Legacy

B.C.'s Next Step Forward

Honourable Speaker.

Today I present Budget 2007 — the third of five budgets the government will table in its current mandate.

It is also our fourth consecutive balanced budget.

As you recall, in our first mandate, budgets focused squarely on the hard work needed to balance the budget… and to turn our economy around:

— reducing taxes

— cutting red tape, and

— encouraging businesses and our people to come back home to British Columbia.

That work paid off. We now have, without a doubt, one of the leading economies in Canada — backed by a triple-A credit rating… our first in over 20 years.

Our unemployment rate — at 4.3 per cent in January — is at its lowest level in over 30 years. Business and industry are strong in almost every sector and region of the province.

We are looking to the future with confidence. But we must never take our success for granted.

We now have, without a doubt, one of the leading economies in Canada.

Budget 2007 is a major step towards ensuring that every British Columbian has access to a safe, appropriate and affordable place to call home.

Building and maintaining a growing economy demands attention… demands loyalty to those policies that brought us this far… demands prudence.

And so, the result of these policies and the commitment to stay the course is a strong economy. And that allows us to focus attention and dollars on the priorities of the people of British Columbia.

In the first budget of this mandate, we extended new supports to our seniors.

In the second, we invested in the future of our children.

Today we take one more step forward.

This year, we focus on meeting a challenge that touches every one of us — a challenge that comes, in part, as a result of our strong economy; as a result of our success as a province.

Budget 2007 is a major step towards ensuring that every British Columbian has access to a safe, appropriate and affordable place to call home.

Housing — The Challenges

A home is, of course, much more than four walls and a roof. It's where we're most comfortable; where we belong.

Home is the centre, the foundation, of our lives… and a fundamental starting point for building a future. It is also — for most of us — the single largest factor in our cost of living… and our quality of life.

- How do we ensure that those most in need have shelter?
- How do we help the single working mom or dad who is having trouble making the rent?
- How do we help the young couple afford their first home?
- Or… after they've contributed for so many years… how do we help our seniors stay in the homes where they raised their families?

These are not easy questions, but the solutions are vital to our quality of life.

That is why Budget 2007 is dedicated to housing.

It builds on the comprehensive Housing Matters strategy the Province released in the Fall. And it goes beyond that… breaking new ground with new support for everyone from the homeless to the homeowner.

More Supports for the Homeless and Those at Risk

Let's begin with the needs of the homeless, which are, at the same time, fairly straightforward… and also very complex. The straightforward part is that they need a place to live. The complex part is working to address the broader issues that contribute to people being homeless in the first place.

These may include mental illness or addiction. They may include a difficult past. Or sometimes it is simply a run of bad luck that leads people onto our streets.

Whatever the cause, the effect is intolerable. We must do more — both in the short term, and in the long term… building on the progress made through the Premier's Taskforce on Homelessness, Mental Illness and Addictions.

We now have approximately 1,000 year-round shelter beds for those in need. When inclement weather hits, additional beds can be opened in a matter of hours.

This works well as an interim measure, as we've seen this winter. But we need more.

Budget 2007 will immediately increase the number of beds available fulltime, all year round, by almost 30 per cent.

The budget provides $27 million over three years to convert nearly 300 cold-wet-weather beds to year-round shelter beds, and provide related support services, to help ensure that more of our neediest British Columbians have a safe, warm place to sleep.

However, these beds are — by definition — short-term accommodation.

To get back on their feet… people need longer-term, more stable housing… and, in many cases, ongoing support.

Today we are announcing up to $38 million in new funding for housing initiatives around the province for those who are currently homeless, or at risk of being homeless.

In cooperation with non-profit societies, these projects will provide housing and support services to people suffering from mental illness or addictions… or who are vulnerable in some way.

The budget provides $27 million over three years to convert nearly 300 cold-wet-weather beds to year-round shelter beds, and provide related support services, to help ensure that more of our neediest British Columbians have a safe, warm place to sleep.

These are all good steps towards a better quality of life for those in the greatest need... those who are homeless, or forced to flee their homes.

These new dollars will support projects such as:

— the first residential addiction treatment centre for male youth on Vancouver Island,

— a group home in Kelowna to help the homeless become independent, and

— housing units designed for women with both mental health and addiction issues in the Downtown Eastside of Vancouver.

Budget 2007 will also invest more in transition houses for women and children escaping from domestic violence. It provides $6 million over three years to help ensure that transition houses can provide the safe, secure base these families need to heal... and to start rebuilding their lives.

Enhancing Income Assistance

These are all good steps towards a better quality of life for those in the greatest need... those who are homeless, or forced to flee their homes.

But we also have a number of other people in this province who may be at risk. People who, with income assistance, are just getting by from month to month but, in a tight rental market, are vulnerable.

These individuals, too, need the sense of security that comes with a stable home... and Budget 2007 responds to them, as well.

As the Premier announced in the Fall, we are raising shelter rates for people on income assistance. Effective March 28th, the shelter rate will increase by $50 per month.

That means a family of four will receive up to $700 a month for housing. It also means British Columbia will have the highest shelter assistance rates in Canada for employable singles, couples and single-parent families.

In addition, we are harmonizing benefits for children — so parents on income assistance will receive the same support regardless of their circumstances. This primarily benefits parents with disabilities, and those who face persistent multiple barriers to work. They will now receive up to $94 a month in additional support.

And we are raising the support allowance for employable singles including single parents by $50 a month, over and above improvements to their shelter rates.

Upgrading Our Social Housing

Increased income assistance benefits will make a real difference for thousands of families and individuals. However, they are not the only answer.

We also need supportive housing. And we must ensure there is enough — and enough diversity — to meet the needs of people in B.C.

For example, we have an aging population. And as we age, our needs change.

Sometimes, it means we need a home with built-in railings as our movement becomes unsteady… or wider doors and hallways to accommodate wheelchairs.

Sometimes we need someone on site to help with meals or housekeeping. Sometimes we need emergency response monitoring… or other assistance.

As needs change, so too must the kinds of social housing we provide.

So Budget 2007 will provide $45 million over four years to upgrade up to 750 of our social housing units… to help people age in place, and to provide the kinds of housing our communities need.

As we announced in the Throne Speech, we will also work with municipal governments to help ensure that sites and zoning for new supportive housing are built right into community plans… so that projects can move ahead quickly and smoothly.

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Expanded Rental Assistance for Working Families

These measures will make a significant difference. But there are other pressing issues in a fast-growing province… where housing and rental prices are among the highest in Canada.

Subsidized housing meets many people's needs. But we cannot build it fast enough to bridge the gap between supply and demand.

So what's the best way to help lower-income working families? People who find it tough to just pay the rent each month? How can we help them be secure in their homes, so they have a strong base from which to plan their futures?

We already have a model that works well for lower-income seniors. The SAFER program provides monthly cash payments to subsidize rent for over 15,000 British Columbians 60 years of age and older.

For a family of four, the [Rental Assistance] program provides up to $563 a month in assistance. And the benefit is portable, so families can use it to offset their existing rent... or to move to another, more suitable home for their children.

In 2005, we doubled funding for SAFER... and made it more accessible... because it had proven so effective.

Now we're using the SAFER model to provide new assistance to working families.

British Columbia's new Rental Assistance Program... introduced four months ago... supports families with annual incomes below $20,000.

But we must do more.

With this budget, we are moving to immediately expand that program — raising the income threshold to $28,000 a year.

That means 5,800 additional families — more than 20,000 in total — will be eligible to receive extra money to help with their housing costs.

For a family of four, the program provides up to $563 a month in assistance. And the benefit is portable, so families can use it to offset their existing rent... or to move to another, more suitable home for their children.

This rental supplement will help take some of the weight off working parents' shoulders... and give them a stronger sense of stability, and security.

New Support for Homeowners

For many people, the most secure and stable housing option is ownership... which can also be a challenge in a growing economy. Prices are high, and they keep going up. In 2006 alone, total residential property values increased by 24 per cent province-wide.

That says a lot about the strength of our economy, and the confidence people have in our future.

But what about young people, just starting out... wondering how on Earth they will ever afford their first home?

Imagine... planning, saving your money, budgeting carefully... and then, when you think you might just have enough for a down payment... prices jump another 10 or 20 per cent.

We do have a First Time Home Buyers' Program to help people get a foot in the door... by exempting them from the Property Transfer Tax. But it's time to adjust the program to better reflect what's happening in the market.

Today we are announcing two key changes… which, together, will make the dream of owning a home a lot more accessible for many young people.

First, we are raising the threshold for the First Time Home Buyers' Program. Effective immediately, first-time buyers can receive the full benefit when they buy a home valued up to $375,000.

That's an increase of $50,000 in the Lower Mainland and Greater Victoria.

In addition, for the first time, the threshold will be uniform — right across B.C. — meaning an increase of $110,000 for first time home buyers in other parts of the province.

Property values are soaring in every part of the province… with some of the biggest increases in places like Okanagan, the Kootenays, the Shuswap and the North. In fact, statistics released this Fall showed that average selling prices were higher in Kelowna than in places like Toronto and Calgary… and second only to the City of Vancouver.

That's the new reality. And these changes — raising the threshold, and making it uniform across B.C. — will help more of our young people buy their first home… saving them as much as $5,500.

With this budget, we are also providing new support for first-time buyers whose homes are built by volunteers with Habitat for Humanity. These are lower-income working families who contribute sweat equity… in return for affordable, interest-free mortgages.

As a government… we want to encourage and support those people and organizations that help make affordable housing a reality for more B.C. families.

And all these changes to the First Time Home Buyers' Program will help more people get into the market.

But what about those who already own homes and… as their assessments rise… are worried about losing their Home Owner Grant?

We must never be dismissive of these genuine concerns of B.C. homeowners. Losing the grant can make the difference between independence and dependence… between staying in your home, versus being forced to move.

As a result, we are making improvements to the Home Owner Grant.

And these changes — raising the threshold, and making it uniform across B.C. — will help more of our young people buy their first home… saving them as much as $5,500.

Starting now, low-income seniors, veterans and people with disabilities will be eligible for a Home Owner Grant... regardless of their home's assessed value.

Housing is the cornerstone of strong social policy... and increasing affordable housing is a key element of the government's Pacific Leadership Agenda.

As the government announced in January, the full grant will now be available for homes worth up to $950,000. This new, higher threshold means that 95 per cent of B.C. homeowners will continue to be eligible for the full grant of $570... or $845 for seniors, veterans and people with disabilities, saving homeowners $14 million per year.

However, even this adjustment does not take into account the low-income senior whose home... perhaps bought just after the war... is now valued at more than our stated limit for the Home Owner Grant.

In the breath of one assessment, that senior can go from receiving over $800 to nothing. That's a big hit for someone on a fixed income.

I've personally talked to people in this situation... and I have received a letter from a member of the opposition on this matter. I have seen the distress that these high assessments have caused some of our seniors who are worried about losing their homes.

This is not something that our seniors... who have given so much... should have to endure. So we are going to change it.

Starting now, low-income seniors, veterans and people with disabilities will be eligible for a Home Owner Grant... regardless of their home's assessed value. Eligibility will be based on thresholds for premium assistance under the Medical Services Plan.

Seniors will also continue to have the option of deferring their property taxes... until their home is sold.

This option is currently available to homeowners aged 60 and older. Uptake has risen fivefold since 2001. However, we believe this program could benefit even more people.

Since many British Columbians are choosing to retire earlier, we will introduce legislation this session to lower the age for property tax deferral from 60 to 55.

New Tax Relief for B.C. Families

Housing is the cornerstone of strong social policy... and increasing affordable housing is a key element of the government's Pacific Leadership Agenda.

The measures I've outlined so far will make a real difference for a long list of people who face specific housing challenges.

But what about all those other families… and other individuals… who also work hard, pay their taxes, care for their children, support our communities… and keep our province and economy going?

What about them?

Despite our thriving economy, too many families are still feeling pressed — feeling as though they, personally, are not sharing in the benefits of these good times.

Too many families are feeling the pressures of high housing costs… and still finding it hard to make ends meet.

What can we do as a Province to help?

Well, we can start by leaving more money in their pockets.

And so, today… we are announcing a 10 per cent cut to personal income taxes for individuals earning up to $100,000.

And so, today… we are announcing a 10 per cent cut to personal income taxes for individuals earning up to $100,000.

This is in addition to the 25 per cent tax cut introduced in 2001, and the BC Tax Reduction introduced in 2005. Together, these changes make a real difference:

— 250,000 British Columbians now pay no provincial income tax;

— others have seen reductions of up to 70 per cent, and

— most have seen reductions of between 30 and 35 per cent… since 2001.

That is a very significant improvement.

For example, a young person, working part-time and earning $20,000 a year… will see their provincial income taxes reduced by almost 70 per cent.

A family of four with both parents working… earning a combined total of $70,000… will now save more than $1,800 a year.

That's money they can put towards their own, personal priorities… dollars that can help each and every family cope with the high cost of housing in British Columbia.

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Let us not forget: We have come from a time in the nineties where high taxes were driving people and businesses out of British Columbia.

At the end of the day, a strong economy... and a balanced budget with a strong surplus... allows us to do one more thing:

It allows us to leave a housing legacy for our children.

But with hard work and persistence... and a commitment to lowering taxes whenever possible... we will have the lowest personal income taxes of any province in Canada for individuals earning up to $108,000.

This tax relief will help each and every taxpayer in our province with their housing costs.

A Legacy for Our Children — The Housing Endowment Fund

And so, Budget 2007 has been crafted to help the people of B.C. with their personal housing challenges. It takes a comprehensive approach with initiatives for the homeless, those on income assistance, people living in social housing, families renting market housing... first time home buyers, long-time homeowners, seniors, veterans and those with disabilities.

And that's not all. At the end of the day, a strong economy... and a balanced budget with a strong surplus... allows us to do one more thing:

It allows us to leave a housing legacy for our children.

As part of Budget 2007, we are announcing a $250 million Housing Endowment Fund that will exist in perpetuity to stimulate and encourage new ideas and innovation in housing.

We must find new ways to meet the diverse needs of those individuals and families who aren't being served through older, more established programs. We need new ideas for a new age.

We need housing choices for the aging parents of disabled children who want to partner with government in finding solutions.

We need different housing options for those with addictions and mental illness.

We need to rethink what aging in place means... considering that a quarter of our population will be over 65 in the not-too-distant future.

This new Housing Endowment Fund will set aside $250 million from this year's surplus...in a special account. The money will be invested to generate an estimated $10 million a year.

That's an additional $10 million that will be available... year after year... to support new and innovative housing solutions — over and above our existing programs.

Our strong economy has made this possible. And it is incumbent on government, in good times, to make provision for the future.

This $250 million Housing Endowment Fund is a legacy we leave for our children… not just today, but for tomorrow as well… and for all the tomorrows to come.

Commitment to Sound Fiscal Management

These housing initiatives and supports for B.C. families represent an investment of more than $2 billion over four years.

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But this budget goes beyond our focus on housing.

Budget 2007 also commits, over four years, an additional:

- $468 million to enhance programs and services for children and youth at risk, and people who have special needs; that includes, specifically, $48 million in new support for adults with developmental disabilities, and $93 million for children and youth with special needs, including those at risk;
- $178 million for policing, corrections and the justice system to help protect communities and citizens;
- $189 million to strengthen communities through local infrastructure and transportation projects;
- $315 million for economic development, including support for reconciliation of Aboriginal rights and title and enhanced post-secondary education and training opportunities; and
- $103 million for environmental leadership.

This government does not come "new" to the issue of protecting our environment. It has always been a priority — and it has been one of our Great Goals since they were introduced in 2005.

Each budget builds on the previous one, with support for new ideas and new initiatives… and Budget 2007 is no different.

This new funding to protect the environment will allow us to:

- extend our support for hybrid vehicles;
- buy 20 new hydrogen buses;

Next year's budget will build on these improvements, and directly support the climate change plans that will be developed in the coming year.

— exempt wind power from the school property tax;

— extend tax relief to all bio-diesel fuels;

— create an environmental secretariat; and

— establish the new Green City Awards.

In addition, the budget provides $38 million over four years for LocalMotion grants to encourage and reward green initiatives.

Next year's budget will build on these improvements, and directly support the climate change plans that will be developed in the coming year.

Of course, the budget is not just about new initiatives. It supports and sustains over $35 billion worth of programs and services — in the coming year alone.

In education, even with declining enrolment, this school year B.C. school districts received their single largest funding increase ever.

Budget 2007 builds on this achievement. Total funding will rise to an estimated $7,900 per student in 2007/08, an increase of 4.1 per cent over the current fiscal year.

We want every child in every family to think of their educational future. That is why we are investing approximately $40 million per year to implement the Children's Education Fund.

As the Premier announced last Fall, the fund will invest $1,000 for every child born in British Columbia in 2007 and beyond — money that will grow with them, and that they can use to offset the cost of attending a B.C. post-secondary institution in the future.

Budget 2007 also fully funds the compensation packages and service improvements achieved at the bargaining table in 2006. These agreements provide the stability we need going forward so that we and our public sector employees can work together as partners for the good of British Columbia.

But, as I've said before, we can never be complacent; we can never take our success for granted. There is always more work to do — and always another challenge just around the corner.

Health care is a good example. As we announced in January, we are committing an additional $885 million to health care in 2007/08.

That includes a $100 million Health Innovation Fund to encourage and assist our health authorities to move forward immediately with new ideas to improve patient care.

The budget for health is now $13.1 billion… up more than 7 per cent from the year just ending; as the Throne Speech said, total health spending is up over 50 per cent since 2000.

That rate of increase is not sustainable over the long term.

As we all participate in the Premier's Conversation on Health, we will be looking for new ways to provide better care for patients. And new ways to ensure the sustainability of our health care system.

Similarly, as we proceed this year to determine the requirements of our dramatic new climate change policy, additional funding will be required in Budget 2008 to support our environmental initiatives.

In addition to these spending pressures, we face economic risks to our three-year fiscal plan. While we saw strong growth in 2006, forecasters are cautious about 2007 and beyond.

Labour shortages, a slowdown in the U.S. housing market, and volatile commodity prices are all key risks we face going forward. This past year, natural gas prices fell well below forecast, driving natural gas revenues down with them by nearly $900 million.

So we must continue to manage carefully. That's why we must set significant forecast allowances in our three-year plan to accommodate these spending pressures and economic risks.

We have also increased our contingency for infrastructure spending to reflect concerns over rising construction costs and the expected addition of new health care projects.

While debt financing continues to represent a significant source of financing for infrastructure projects, we are making sure that taxpayer-supported debt, as a proportion of GDP, continues to decline. That means our debt will remain affordable for future generations.

A balanced budget demands we stay loyal — and we are staying loyal — to the policies that… since 2001… have helped to turn our economy and finances around.

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As government, it's part of our job to meet challenges — through our leadership, but also through our willingness to listen and respond to the needs of those we serve...

Besides lowering taxes, we also promised to reduce the red tape that businesses often found to be complicated, contradictory and, in some cases, overlapping. We have done that by reducing our regulatory burden by 41 per cent.

In light of that success, I am pleased that British Columbia has been asked by the Government of Canada to bring our experience to the table… and help shape new regulatory reforms that will benefit all Canadians.

As well, I must thank our Minister of Small Business and Revenue for his work on the Provincial Sales Tax Review.

As a result of consultations around the province, this budget implements 13 measures to improve the clarity, consistency and administration of the PST. Consultations on remaining issues will continue in the year ahead… as part of our commitment to work with British Columbians to keep our economy strong.

Our Home in the Truest Sense

As government, it's part of our job to meet challenges — through our leadership, but also through our willingness to listen and respond to the needs of those we serve… and we are doing precisely that.

Look what we've achieved through our negotiating framework: four-year agreements across the public service that have brought — not just stability and certainty — but real improvements in services.

Look at what we're doing with employers, and training institutions, to meet the shortage of skilled labour.

Look at how we're bringing people and communities together… right across B.C.… to have a meaningful dialogue about needs and priorities in health care.

And look at what we're doing with this new budget to respond to the housing challenges that result from a strong, growing economy:

- For those most in need, we're adding more shelter beds and raising the shelter allowance for people on income assistance.
- For those who need supportive housing, we're upgrading subsidized units… to make them more accessible for seniors and others with special housing needs.

- For low-income working families, we're providing more rental supplements — direct cash payments they can apply to the housing options that best meet their needs.
- For those moving into the real estate market, we're enhancing the First Time Home Buyers' Program. We've also raised the threshold for the Home Owner Grant, and we're extending eligibility to lower-income seniors… regardless of their home's assessed value.
- For those who want more flexibility in budgeting as they plan for retirement, we will introduce legislation to allow property tax deferral beginning at age 55… rather than 60.
- To help make it more affordable for families to call this province home… we are cutting personal income taxes by another 10 per cent for people earning up to $100,000.
- And we are creating a legacy for our children, and for future generations: a $250-million Housing Endowment Fund. The fund will help to foster innovation and ensure that new solutions continue to emerge… as our population, and our province, continue to grow and change.

…in the year ahead, British Columbia will take bold action to combat climate change. That is a critical, long-term commitment… one that will take time, and effort, and great determination to meet.

As the saying goes, the only thing constant in life is change. We have a dynamic province, with a dynamic population… and we will always face new challenges.

For example, in the year ahead, British Columbia will take bold action to combat climate change. That is a critical, long-term commitment… one that will take time, and effort, and great determination to meet. And it is only one of the challenges that lie ahead.

I'm confident that we can meet these challenges together, as a province. As the Throne Speech pointed out… British Columbians accomplish what we set our minds to do.

However, we will never be able to do everything we want to… all at the same time.

But, with careful planning — and continued prudence in our fiscal management — we can continue to make steady progress in priority areas… step by step.

The first budget of this mandate focused on seniors.

The second budget concentrated on the needs of our children.

And this budget — step three of five — focuses on housing, which affects us all.

Not long ago, British Columbians were leaving here in search of opportunity. They couldn't see their futures here. They didn't feel at home any more. And they left by the thousands.

Today that trend has completely turned around.

Last year, more than 40,000 people chose to move to our magnificent province. People from all over Canada, from all over the world, chose British Columbia.

More than 4.3 million people now call British Columbia home. And, with this budget, we're helping to ensure that it's a home in the truest sense.

A place where every one of us can share in our province's success, where we work and raise our families and plan for the future with a real sense of confidence, and where we build opportunity, and prosperity, together.